

# PAKISTAN CAN'T AFFORD ANY FURTHER DEBT WITH CHINA

Relevant for: International Relations | Topic: Effect of policies and politics of developing countries on India's interests

Pakistan's railway minister, Sheikh Rasheed, says he will reduce a Chinese-funded \$8.2 billion rail investment plan by \$2 billion. Upgrading Pakistan's trains is a pillar of the massive \$62 billion China Pakistan Economic Corridor (CPEC). He says he cannot afford the debt and has even talked of another cut of the same amount. Mr Rasheed reflects the Imran Khan government's sober view that Pakistan's economic future is endangered by the intersection of two dangerous practices. One is Beijing's use of debt-funded infrastructure to extend its geopolitical reach. The other is Pakistan's long-standing addiction to overseas borrowing.

China's Belt Road Initiative, of which CPEC is the flagship project, today faces a backlash from many of its supposed beneficiaries. Malaysia and Myanmar are among the other major partners who have suspended or asked to renegotiate the terms of these infrastructure projects. The hapless condition of Sri Lanka is already well-known. Mr Khan's government has said it wants to cure Pakistan of its chronic financial illnesses. Mr Rasheed's statement is a small sign it recognises this will not be possible if CPEC is allowed to continue in its present form.

The other side of the coin is to change Pakistan's macroeconomic path. Its political and military elites have developed a fondness for expensive capital projects designed to wow voters, generate bursts of growth and produce kickbacks. They have simply ignored the reforms needed to boost domestic productivity and ensure long-term growth. These showcase projects depend on imported inputs and foreign capital and leave a financial hangover of debts and deficits. This is why Pakistan goes to the International Monetary Fund for help after every election. This election has been no different except that China has been added to the donor list.

China's CPEC and Pakistan's borrowing have created a dependency syndrome. Mr Khan's government recognises this but has yet to go beyond words. Taking on both Islamabad's elite and Beijing will not be easy. However, it is a fight that has to be won as the results of this bond of debt are disastrous and will get worse.

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